Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

LIMITED OFFICIAL USE

PAGE 01 ATHENS 07027 01 OF 03 141628Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03 H-01
PA-01 CIAE-00 COME-00 FRB-03 INR-10 NSAE-00
XMB-02 OPIC-03 LAB-04 SIL-01 AGR-01 /097 W
----------089002 141828Z /53
R 141415Z AUG 78
FM AMEMBASSY ATHENS
TO SECSTATE WASHDC 7229
INFO AMEMBASSY PARIS
AMEMBASSY BRUSSELS
AMEMBASSY NICOSIA
AMEMBASSY ANKARA

LIMITED OFFICIAL USE SECTION 1 OF 3 ATHENS 7027

USOECD; USEEC

E.O. 11652: N/A
TAGS: EFIN, EALR, GR
SUBJECT: THE GREEK ECONOMY: A MIXED PERFORMANCE

REF: (A) 77 ATHENS A-158, (B) ATHENS A-55, (C) ATHENS 0850,
(D) ATHENS 5163, (E) ATHENS 6974

1. SUMMARY: GREECE'S RECENTLY ACQUIRED PROSPERITY CARRIES THE SEEDS OF SOME REAL PROBLEMS UP THE ROAD, UNLESS THE NEWLY INTRODUCED SERIES OF STABILIZATION MEASURES BEGIN TO TAKE EFFECT. TO THE VISITOR IN ATHENS, THE OVERPOPULATION OF CARS, THE LUXURY BOUTIQUES IN KOLONAKI, THE CROWDED RESTAURANTS AND SUMMER RESORTS, THE FRENETIC BUILDING ACTIVITY, LEAVE AN IMPRESSION OF THRIVING SUCCESS. AND COMPARED WITH ITS ECONOMIC SITUATION OF ONLY A FEW YEARS AGO, THE GREECE OF TODAY IS IN MANY WAYS A SUCCESS STORY. LOOKING AHEAD, HOWEVER, THE GOVERNMENT HAS REASON TO BE CONCERNED ABOUT THE ECONOMY. IN A WORD, APPETITES FOR HIGHER REAL LIVING
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ATHENS 07027 01 OF 03 141628Z

STANDARDS HAVE INCREASED FASTER THAN THE CAPACITY TO PRODUCE. THUS IMPORTS, PARTICULARLY OF CARS AND OTHER CONSUMPTION GOODS, ARE SURGING AHEAD AND DOUBLE-DIGIT INFLATION, NOW CONSIDERED THE BIGGEST THREAT TO ECONOMIC STABILITY, CONTINUES IN ITS FOURTH YEAR. IT IS FUELED BY LARGE GOVERNMENT DEFICITS, A MONEY SUPPLY INCREASING AT AN ANNUAL RATE OF OVER 20 PERCENT, AND WAGE AND SALARY INCREASES WHICH AVERAGED 20 PERCENT LAST YEAR. AS GREECE

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

MOVES TO BECOME A MEMBER OF THE EUROPEAN COMMUNITIES, IN MANY WAYS A "RICH MAN'S CLUB," PRODUCTIVE INVESTMENT CONTINUES TO STAGNATE FOR THE FOURTH CONSECUTIVE YEAR, AND IN VIEW OF THE POOR INVESTMENT CLIMATE, THE PROSPECTS FOR A TURNAROUND IN THE NEAR FUTURE ARE NOT GOOD. INDUSTRIAL PRODUCTION, WHICH LAST YEAR ROSE LESS THAN 2 PERCENT, IS STILL NOT PUTTING IN A DYNAMIC PERFORMANCE. PART OF THIS MAY BE DUE TO WEAK FOREIGN DEMAND, WHICH HAS CAUSED EXPORTS TO SLOW, BUT PART CERTAINLY COMES FROM THE LACK OF NEW INVESTMENT.

2. ON THE BRIGHTER SIDE, AGRICULTURAL PRODUCTION IS RETURNING TO MORE NORMAL LEVELS BECAUSE OF FAVORABLE WEATHER CONDITIONS, TOURISM IS BOOMING, AND INFLOWS OF FOREIGN EXCHANGE DEPOSITS ARE STILL STRONG, ALL OF WHICH WILL GIVE THE BALANCE OF PAYMENTS A NEEDED BOOST. GREECE IS ALSO ONE OF THE FEW OECD COUNTRIES WHICH DOES NOT HAVE AN UNEMPLOYMENT PROBLEM--A MIXED BLESSING, HOWEVER, WHEN WAGE CONTRACTS COME UP FOR RENEGOTIATION NEXT YEAR.

3. THE GOVERNMENT IS CERTAINLY NOT UNAWARE OF THESE PROBLEMS, AS IS EVIDENT IN THE PRELIMINARY DRAFT OF THE 1978-82 DEVELOPMENT PLAN, AND ALSO IN A SERIES OF "NEW MEASURES," WHICH RANGE FROM CLASSICAL MONETARY AND FISCAL POLICIES TO RECENTLY INTRODUCED DIRECT CONTROLS ON PRICES AND RENTS. HOWEVER, LAWS AND CONTROLS ARE USELESS UNLESS THEY CAN BE ENFORCED, AND IT IS STILL UN-
CERTAIN WHETHER THE GOVERNMENT WILL EITHER BE ABLE OR WILLING TO CARRY OUT THESE POLICIES, MANY OF WHICH WILL CERTAINLY BE UN-
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

POPULAR. END SUMMARY.

4. AGGREGATE SUPPLY, PRIMARY SECTOR: FAVORABLE WEATHER BRINGS BUMPER CROPS THIS YEAR. SO FAR THIS YEAR, THE WEATHER HAS BEEN VERY KIND TO FARMERS. AFTER TWO DISAPPOINTING YEARS, AGRICULTURAL OUTPUT IS EXPECTED TO RECOVER TO AT LEAST ITS 1975 LEVELS, WHICH WOULD MEAN AN INCREASE OF ABOUT 7 PERCENT OVER LAST YEAR'S PRODUCTION. GRAINS, WHOSE CONSIDERABLE LOSSES IN 1977 WERE RESPONSIBLE FOR MUCH OF THE DECLINE IN PRIMARY SECTOR PRODUCTION, SHOULD DO PARTICULARLY WELL. THE WHEAT HARVEST IS AT AN ALL-TIME RECORD OF 2.5 MILLION METRIC TONS AND BARLEY IS EXPECTED TO RISE 20 PERCENT ABOVE LAST YEAR'S LEVEL. FRESH FRUITS (CITRUS, PEACHES, ETC) SHOULD ALSO DO WELL. TOBACCO, WHOSE EXPORT PROSPECTS ARE LESS PROPITIOUS, MAY DECLINE SLIGHTLY.

5. SECONDARY SECTOR: INDUSTRIAL PRODUCTION SHOWS SIGNS OF ACCELERATION. FOLLOWING A MARKED SLOWDOWN IN INDUSTRIAL PRODUCT-
ION LAST YEAR, INDICATORS FOR THE FIRST PART OF 1978 SHOW SOME SIGNS OF ACCELERATION. FROM JANUARY TO APRIL, THE INDUSTRIAL PRODUCTION INDEX ROSE BY 8.4 PERCENT OVER THE SAME PERIOD IN 1977. PART OF THIS, HOWEVER, WAS A TECHNICAL RECOVERY IN THE PRODUCTION OF BASIC METALS (UP 60 PERCENT), WHICH SUFFERED FROM STRIKES AT

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

THE BEGINNING OF LAST YEAR. MANUFACTURING OUTPUT WAS 8.4 PERCENT HIGHER THAN ITS PREVIOUS YEAR'S LEVEL, LARGELY BOOSTED BY PRODUCTION OF CAPITAL GOODS, AN ENCOURAGING SIGN.

6. DESPITE THIS SOMEWHAT PROPITIOUS BEGINNING, THE PROSPECTS FOR THE REST OF THE YEAR ARE CLOUDED BY DIFFICULTIES WITH TEXTILE EXPORTS TO THE EC AND THE EARTHQUAKE WHICH HIT THESSALONIKI IN JUNE. THE EC COMMISSION UNILATERALLY IMPOSED QUOTAS ON GREEK T-SHIRTS, JUMPERS, AND BLOUSES LAST MONTH, AFTER A SELF-RESTRAINT AGREEMENT WITH THE TEXTILE INDUSTRY BROKE DOWN. BECAUSE THE TEXTILES INDUSTRY HAS BEEN RESPONSIBLE FOR MUCH OF THE GROWTH IN GREECE'S SECONDARY SECTOR INVESTMENT, PRODUCTION AND EXPORTS--WITH THE EC ITS MOST IMPORTANT MARKET--THIS WAS A REAL BLOW TO THE ECONOMY.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 ATHENS 07027 01 OF 03 141628Z

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 ATHENS 07027 02 OF 03 141646Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03 H-01
PA-01 CIAE-00 COME-00 FRB-03 INR-10 NSAE-00
XMB-02 OPIC-03 LAB-04 SIL-01 AGR-01 /097 W
----------089139 141828Z /53
R 141415Z AUG 78
FM AMEMBASSY ATHENS
TO SECSTATE WASHDC 7230
INFO AMEMBASSY PARIS
AMEMBASSY BRUSSELS
AMEMBASSY NICOSIA
AMEMBASSY ANKARA

LIMITED OFFICIAL USE SECTION 2 OF 3 ATHENS 7027

USOECD; USEEC

MOREOVER, THE TIMING COULD NOT HAVE BEEN WORSE SINCE ADDITIONAL CAPACITY WILL BECOME AVAILABLE THIS YEAR, THROUGH BOTH NEW

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

PLANTS AND EXPANSION OF EXISTING ONES. SOME CUTBACK IN PRODUCTION APPEARS INEVITABLE AND THIS WILL IMPACT FURTHER ON SECONDARY SECTOR OUTPUT, INVESTMENT AND EMPLOYMENT.

7. THE EARTHQUAKE WHICH HIT NORTHERN GREECE IN JUNE HAS ALSO BEEN A MAJOR SETBACK FOR THE GOG'S ECONOMIC GOALS, PARTICULARLY SINCE THESSALONIKI IS SECOND ONLY TO ATHENS IN ITS INDUSTRIAL AND COMMERCIAL IMPORTANCE. PRELIMINARY GOVERNMENT ESTIMATES INDICATE THE EARTHQUAKE WILL IMPOSE AN INCREASED BUDGETARY BURDEN OF 7-10 BILLION DRACHMAS THIS YEAR FOR REHABILITATION LOANS, LOSS OF REVENUE, RECONSTRUCTION, ETC. THIS IS APPROXIMATELY EQUAL TO BUDGET CUTS THE GOG PLANNED TO MAKE IN ITS EFFORTS TO BRING DOWN THE RATE OF INFLATION (REF D). IN ADDITION TO THE BUDGETARY BURDEN, THE ECONOMY WILL SUFFER LOSSES FROM ABSENTEEISM, PRODUCTION LAPSES AND DECLINES IN COMMERCE AND TOURISM WHICH LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

CANNOT EVEN BE ESTIMATED AT THIS POINT.

8. TERTIARY SECTOR: TOURISM EXPECTS RECORD YEAR.
SERVICE SECTOR OUTPUT, RESPONSIBLE FOR HALF THE NATION'S GROSS NATIONAL PRODUCT AND THE MAIN SOURCE OF LAST YEAR'S GROWTH, SHOULD INCREASE BY ABOUT 5 PERCENT AGAIN THIS YEAR. TOURISM, PARTICULARLY, IS ENJOYING NEW RECORDS. HOTEL OCCUPANCY IS HIGH, ARRIVALS IN THE FIRST SIX MONTHS WERE 16 PERCENT GREATER THAN IN 1977, AND FOREIGN EXCHANGE RECEIPTS ROSE ALMOST 30 PERCENT DURING THE FIRST SEMESTER.

9. AGGREGATE DEMAND: RETAIL SALES AND IMPORTS REFLECT CONTINUING RISE IN CONSUMPTION EXPENDITURES...
THE TREND TOWARDS INCREASING EXPENDITURES FOR CONSUMPTION APPEARS TO HAVE INTENSIFIED THIS YEAR, AS DOUBLE-DIGIT INFLATION CONTINUES UNABATED AND APPETITES FOR HIGHER LIVING STANDARDS RISE. THE RETAIL SALES VOLUME INDEX INCREASED 6 PERCENT DURING THE FIRST FOUR MONTHS OF THE YEAR VIS-A-VIS 1977, AND WAS EVEN HIGHER IN THE ATHENS AREA. DEMAND FOR FOREIGN CONSUMER GOODS WAS PARTICULARLY STRONG--DURING THE FIRST QUARTER, IMPORTS OF CONSUMER DURABLES WERE 35 PERCENT HIGHER THAN IN 1977 AND AUTOMOBILE IMPORTS WERE UP 47 PERCENT.

10. ...WHILE EXPORTS STAGNATE. DURING THE FIRST HALF OF THE YEAR, EXPORTS ROSE ONLY 2 PERCENT IN VALUE AND EXPORTERS ARE PESSIMISTIC ABOUT PROSPECTS FOR IMPROVEMENT IN THE SECOND HALF, PARTICULARLY SINCE THE EC IMPOSED QUOTAS ON TEXTILES (SEE ABOVE). NEVERTHELESS, THE FAVORABLE AGRICULTURAL HARVEST WILL HAVE A POSITIVE IMPACT, AND THERE SHOULD BE SOME INCREASE OF A TECHNICAL NATURE BECAUSE OF LAST YEAR'S DISASTROUS SECOND SEMESTER.

1. INVESTMENT DEMAND STILL SLUGGISH. DESPITE THE PUBLICITY GIVEN TO SEVERAL LARGE INVESTMENT PROJECTS, SUCH AS THE $100 MILLION

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

PECHINEY EXPANSION, THE $100 MILLION HELLENIC STEEL EXPANSION, AND THE $68 MILLION ASBESTOS FIBER PLANT (REFS B AND C), THE OVER-ALL INVESTMENT CLIMATE IS STILL POOR. ACCORDING TO THE MOST RECENT IOBE INDUSTRIAL RESEARCH INSTITUTE'S SURVEY OF BUSINESS EXPECTATIONS, MANUFACTURING INVESTMENT CONTINUES TO SUFFER FROM WEAK DEMAND AND IDLE PRODUCTIVE CAPACITY IN CERTAIN INDUSTRIES. THE PROFIT OUTLOOK IS ALSO UNCERTAIN, SINCE ALL EFFORTS TO BRING INFLATION UNDER CONTROL HAVE SO FAR BEEN INEFFECTIVE. IN ADDITION TO THESE FACTORS, POTENTIAL FOREIGN INVESTORS MUST CONTEND WITH FURTHER BUREAUCRATIC AND OTHER DISINCENTIVES WHICH, DESPITE OFFICIAL PRONOUNCEMENTS TO THE CONTRARY, APPEAR TO BE INCREASING.

12. ONLY RESIDENTIAL CONSTRUCTION, THE TRADITIONAL MAINSTAY OF INVESTMENT IN GREECE, WHICH CONTRIBUTED 80 PERCENT TO LAST YEAR'S INCREASE IN INVESTMENT, IS DOING WELL. DEMAND FOR HOUSING IS STRONG, ESPECIALLY IN THE ATHENS AREA, BECAUSE THERE IS STILL NO SATISFACTORY ALTERNATIVE INVESTMENT FOR MOST INDIVIDUALS. MORE-OVER, EVEN THOUGH THE MONETARY AUTHORITIES HAVE TIGHTENED HOUSING CREDIT AS A GENERAL POLICY, RECONSTRUCTION AND REHABILIT-ATION LOANS FOR THESSALONIKI RESIDENTS WILL BE EASILY AVAILABLE AND SHOULD HAVE A STIMULATIVE EFFECT ON THE CONSTRUCTION INDUSTRY.

13. MONETARY, CREDIT AND PRICE DEVELOPMENTS: KARAMANLIS' MAY CABINET RESHUFFLE WAS ACCOMPANIED BY A RESHUFFLING OF ECONOMIC POLICY PRIORITIES. INFLATION, RUNNING AT AN ANNUAL RATE OF OVER 13 PERCENT DURING THE FIRST SIX MONTHS, IS NOW CONSIDERED THE BIGGEST THREAT TO ECONOMIC STABILITY. THE NEW ECONOMIC MEASURES ANNOUNCED BY COORDINATION MINISTER MITSOTAKIS IN JUNE (REF D), WHICH INCLUDED CUTS IN PUBLIC SECTOR EXPENDITURES, INTEREST RATE INCENTIVES TO STIMULATE PERSONAL SAVINGS AND PRIVATE INVESTMENT, AND NEW METHODS TO COMBAT TAX EVASION, WERE DESIGNED TO REDUCE LIQUIDITY IN THE HANDS OF CONSUMERS AND REDIRECT RESOURCES, VIA THE COMMERCIAL BANKS, TO MORE PRODUCTIVE USES. ALTHOUGH IT IS STILL TOO EARLY TO JUDGE THEIR EFFECTIVENESS, THESE MEASURES APPEAR TO HAVE BEEN TOO LITTLE, TOO LATE, ESPECIALLY AFTER THE THESSALONIKI EARTHQUAKE. THE MONEY SUPPLY IS STILL INCREASING

AT AN ANNUAL RATE OF OVER 20 PERCENT, PRICES OF FOOD CLIMB STEADILY HIGHER, AND RENTS SEEM TO BE SKYROCKETING. IN AN APPARENT EFFORT TO ACHIEVE QUICK AND VISIBLE RESULTS, THE GOVERNMENT JUST ANNOUNCED ADDITIONAL MEASURES IN THE FORM OF DIRECT MARKET INTER-VENTION-- CONTROLS ON RENTS AND PRICES OF BASIC PRODUCTS AS WELL AS IMPORT LIBERALIZATION FOR CERTAIN ITEMS--WHICH MIGHT AT LEAST

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

KEEP THE CPI INCREASE AT LAST YEAR'S LEVEL (SEE REF E). HOWEVER,
IF STRONGER, POLITICALLY UNPOPULAR STEPS ARE NOT TAKEN TO COMBAT
THE SOURCES OF INFLATION, THE PRICE WILL BE PAID NEXT YEAR WITH
INCREASING LABOR UNREST AND DEMANDS FOR HIGHER WAGES.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 ATHENS 07027 03 OF 03 141720Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03 H-01
PA-01 CIAE-00 COME-00 FRB-03 INR-10 NSAE-00
XMB-02 OPIC-03 LAB-04 SIL-01 AGR-01 /097 W
----------089478 141828Z /53
R 141415Z AUG 78
FM AMEMBASSY ATHENS
TO SECSTATE WASHDC 7231
INFO AMEMBASSY PARIS
AMEMBASSY BRUSSELS
AMEMBASSY NICOSIA
AMEMBASSY ANKARA

LIMITED OFFICIAL USE SECTION 3 OF 3 ATHENS 7027

USOECD; USEEC

14. BALANCE OF PAYMENTS: GOOD NEWS AND BAD NEWS. THE GOOD NEWS IS
THAT GREECE CONTINUES TO ENJOY A LOW DEBT SERVICE RATIO (LESS THAN
10 PERCENT THIS YEAR) AND AN EXCELLENT CREDIT RATING IN INTER-
NATIONAL BANKING CIRCLES, AND THEREFORE HAS NO DIFFICULTY IN
BORROWING AT FAVORABLE TERMS. THE BAD NEWS IS THAT THERE HAS BEEN
NO IMPROVEMENT IN THE STRUCTURAL WEAKNESS CHARACTERIZING
THE EXTERNAL SECTOR, AND AS A RESULT THE PROBLEMS FORESEEN FOR
THE MEDIUM TERM MAY RAPIDLY BECOME SHORT-TERM DIFFICULTIES.
EXPORTS STAGNATED DURING THE FIRST HALF OF 1978, ADVERSELY
AFFECTED BOTH BY WEAKER WORLD DEMAND AND EC RESTRICTIONS ON
TEXTILES. IMPORTS, LARGELY OF CONSUMER GOODS, CONTINUE TO RISE--
FOR EXAMPLE, AUTOMOBILES IN THE FIRST FOUR MONTHS COST GREECE
$125 MILLION, 40 PERCENT MORE THAN A YEAR AGO. DESPITE A HEALTHY
INCREASE IN INVISIBLES INFLOWS, PARTICULARLY FOR TOURISM, THE
CURRENT ACCOUNT DEFICIT REACHED $892 MILLION, ALMOST 10 PERCENT
MORE THAN IN 1977. FORTUNATELY, GREEK EMIGRANTS TAKING ADVANTAGE
OF HIGH INTEREST RATES ON FOREIGN EXCHANGE DEPOSITS ARE MAIN-
LIMITED OFFICIAL USE

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

TAINING FOREIGN EXCHANGE INFLOWS AT HIGH LEVELS. IF THIS TREND IS SUSTAINED, OFFICIAL FINANCING NEEDS MAY NOT EXCEED LAST YEAR'S LEVEL OF $478 MILLION, ALBEIT AT THE COST OF STAGNATING INVESTMENT.

15. LABOR DEVELOPMENTS: UNLIKE MOST OTHER OECD COUNTRIES, GREECE'S PROBLEM IN THE LABOR SECTOR IS NOT UNEMPLOYMENT. IT IS RATHER A TREND OVER THE PAST FOUR YEARS TOWARDS NOMINAL WAGE AND SALARY INCREASES IN EXCESS OF PRODUCTIVITY GAINS. PART OF THIS IS THE RESULT OF THE GOVERNMENT'S POLICY TO NARROW THE INCOME DISTRIBUTION GAP, BUT IT HAS BECOME A MAJOR FACTOR IN SUSTAINING THE HIGH RATE OF INFLATION. LAST YEAR, LABOR COSTS WERE ESTIMATED TO HAVE CONTRIBUTED 40 PERCENT TO THE CPI INCREASE. THEREFORE, IF THE GOG EXPECTS TO CONTROL INFLATIONARY PRESSURES, IT WILL HAVE TO HOLD TO A TOUGH INCOMES POLICY IN NEXT YEAR'S ROUND OF WAGE CONTRACT NEGOTIATIONS. THIS WILL NOT BE EASY IF SOME PRICE DECELERATION IS NOT EVIDENT BEFORE THEN, PARTICULARLY IN VIEW OF LOW UNEMPLOYMENT AND LABOR SCARCITY IN CERTAIN SECTORS. THIS MAY HAVE BEEN ONE REASON FOR THE RECENT DECISION TO RESORT TO COMPULSORY RENT AND PRICE CONTROLS, WHICH SHOULD AT LEAST HAVE VISIBLE EFFECTS ON THE CPI BEFORE LONG.

16. RELATIONS WITH THE EC: SIGNIFICANT RESULTS WERE OBTAINED IN THE ACCESSION NEGOTIATIONS DURING THE FIRST HALF OF 1978. THE SECOND FINANCIAL PROTOCOL, SIGNED IN FEBRUARY 1977, ENTERED INTO EFFECT ON AUGUST 1. THE DOSSIERS ON CAPITAL MOVEMENTS, EURATOM, ECSC, CUSTOMS UNION, AND EXTERNAL CAPITAL MOVEMENTS ARE WELL IN HAND. AT THE JULY 27 NEGOTIATING SESSION, THE LAST BEFORE THE SUMMER BREAK, THE EC PRESENTED ITS PROPOSALS ON AGRICULTURE, MADE A STATEMENT ON THE STATUS OF SECONDARY LEGISLATION, AND DISCUSSED THE DRACHMA'S INTEGRATION INTO THE EUROPEAN MONETARY SECTOR. THE COMMISSION HAS ALSO GIVEN ITS RECOMMENDATIONS ON THE TRANSITION PERIOD TO THE COUNCIL--IN GENERAL, GREECE MUST ADAPT

TO EC REGULATIONS IN FIVE YEARS, BUT WILL HAVE SEVEN YEARS FOR CERTAIN AGRICULTURAL AND CUSTOMS MEASURES, WITH A POSSIBLE EXTENSION TO EIGHT. WHEN THE TWO SIDES RESUME NEGOTIATIONS IN THE FALL, THEY WILL TAKE UP THE DOSSIERS ON AGRICULTURE, SOCIAL POLICY (I.E. LABOR MOVEMENTS), REGIONAL POLICY, GREEK REPRESENTATION IN EC INSTITUTIONS, THE TRANSITION PERIOD, AND ESTABLISHMENT RIGHTS. THE EC HAS ALSO PROPOSED A THREE-STAGE MOVE TOWARDS POLITICAL COOPERATION: DURING NEGOTIATIONS THEY WILL INFORM GREECE OF POLITICAL COOPERATION ACTIVITY; AFTER SIGNING THE TREATY THEY WILL CONSULT WITH GREECE, WHO WILL HAVE THE RIGHT

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

TO EXPRESS ITS OPINION; AND WHEN RATIFICATION IS COMPLETED GREECE WILL PARTICIPATE AS A FULL MEMBER. THE ONLY BLOT ON LAST SEMESTER'S RECORD WAS THE TEXTILES PROBLEM, WHICH HAS CAUSED CONSIDERABLE BITTERNESS HERE. THE DATE RECENTLY CITED BY GISCARD D'ESTAING OF SPRING 1979 NOW APPEARS TO BE A REALISTIC TARGET FOR CONCLUDING NEGOTIATIONS, WITH ENTRY BY MID-1980 OR BEGINNING OF 1981, DEPENDING ON HOW LONG RATIFICATION PROCEDURES WILL TAKE.

17. FIVE-YEAR PLAN BEGINS TO TAKE SHAPE. THE PRELIMINARY DRAFT OF THE 1977-82 FIVE-YEAR PLAN WAS FORWARDED TO THE OECD SECRETARIAT IN JUNE, AND THE SECRETARIAT'S DISCUSSION PAPER WAS CIRCULATED AT THE EDRC REVIEW ON GREECE. THE REVISED PLAN'S TARGETS APPEAR BOTH MORE REALISTIC AND MORE FLEXIBLE THAN THOSE OF THE EARLIER VERSION (SEE 77 ATHENS 5324). GROWTH IS, OF COURSE, RELATED TO DEVELOPMENTS IN WORLD TRADE, BUT THE PLAN SETS 5 PERCENT AS THE MINIMUM ACCEPTABLE AVERAGE ANNUAL RISE IN REAL GDP, WITH 6 PERCENT THE PREFERRED RATE. ALTHOUGH THE PLAN NOTES THAT REDUCING THE RATE OF INFLATION, WHICH NEGATIVELY AFFECTS INVESTMENT AND CONFIDENCE IN GENERAL, IS A PRIORITY OBJECTIVE, IT DOES NOT PROPOSE AN ACCEPTABLE TARGET. OTHER DEVELOPMENT PRIORITIES INCLUDE IMPROVING EFFICIENCY IN PUBLIC SERVICES, COMMERCE AND BANKING, AND ENCOURAGING INVESTMENT, PARTICULARLY IN MANUFACTURING. THE CENTER FOR PLANNING AND ECONOMIC RESEARCH (KEPE) EXPECTS TO SUBMIT THE FINAL VERSION OF THE PLAN BEFORE THE END OF THE YEAR.
MCCLOSKEY
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

NNN

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRODUCTION, TRENDS, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ATHENS07027
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780332-0164
Format: TEL
From: ATHENS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780865/aaaaccck.tel
Line Count: 418
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 61168663-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 8
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 ATHENS A-158, 78 ATHENS A-55, 78 ATHENS 850, 78 ATHENS 5163, 78 ATHENS 6974
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1742515
Secure: OPEN
Status: NATIVE
Subject: THE GREEK ECONOMY: A MIXED PERFORMANCE
TAGS: EFIN, EALR, GR
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/61168663-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014